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News Release

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Minnesota man sentenced to over seven years in prison for carrying out a \$2.4 million real estate fraud scheme

In imposing an 87-month federal prison sentence against Timothy Lynn Beliveau earlier today in Minneapolis, U.S. District Court Judge James M. Rosenbaum referred to Beliveau as a “con man.” Beliveau is a Minnesotan who pleaded guilty in March to one count of engaging in a monetary transaction involving criminally derived property in connection to a real estate fraud scheme through which he induced investors to purchase distressed real estate from vulnerable homeowners at inflated prices. In addition, he pled guilty to failing to pay more than \$900,000 in federal employment taxes. The scheme resulted in estimated losses to investors and financial lenders of approximately \$2.4 million. Judge Rosenbaum said Beliveau “knew this was a fraud from the get-go.” He called Beliveau “a thief” and added, “You took money, and you blew it. This wasn’t a lack of incompetence. It was stealing.”

Relative to this crime, Beliveau was indicted on October 21, 2009, on three counts related to fraud as well as the failure to account for and pay taxes. He was charged via an information to the monetary transaction count on March 9, 2010. The indictment stated that between 2004 and July of 2007, Beliveau orchestrated the fraud scheme. At that time, he was the owner of U.S. Housing & Financial Services, a company that assisted homeowners who were close to losing their homes to foreclosure. He also owned American Alliance Mortgage Group, a mortgage brokerage company with offices in Minnetonka, Plymouth, Roseville, Wayzata, and Edina as well as in Hudson, Wisconsin.

Beliveau used U.S. Housing & Financial Services to encourage homeowners in or near foreclosure to sell their homes to the investors he recruited. The investors then immediately sold the homes back to the distressed homeowners pursuant to contracts for deed. Instead of allowing the homeowners to receive the proceeds from the sales of their homes, however, Beliveau caused the homeowners to assign those proceeds to him or his companies for the purported purpose of helping the homeowners make their monthly contract-for-deed payments to the investors. By

doing so, the homeowners could supposedly buy back their homes after a period of time; and, in the meantime, they were allowed to continue to live in them.

Beliveau falsely told investors that the homeowners were carefully screened to ensure their financial problems were merely situational, and that they were unlikely to default on their monthly contract-for-deed payments. Beliveau also represented that the homeowners would receive financial counseling if they defaulted. Moreover, Beliveau assured investors that homeowners who fell into default would be evicted, and the monthly contract-for-deed payments would then be covered by the funds held in the escrow account or otherwise paid by U.S. Housing & Financial Services.

Ultimately, most of the distressed homeowners were unable to make their monthly contract-for-deed payments or otherwise buy back their homes. In addition, many of the loans taken out by investors to purchase the homes went into default because the money supposedly in the escrow account to pay the mortgages had been used by Beliveau for his personal benefit.

As to the specific charges filed against Beliveau, he admitted writing a check from the account of one of his companies, West Bay Capital, Inc., in the amount of \$183,082.58, to complete the purchase of a Wellcraft Excalibur boat from a private party in Iowa on April 1, 2005. Furthermore, Beliveau admitted failing to pay to the IRS \$901,985.94 in employee withholding taxes, which he had collected through another company he owned.

On June 25, 2010, Beliveau's ex-wife Shelley Lee Milless was sentenced to 24 months in prison for preventing the IRS from collecting more than \$900,000 in employment taxes from Beliveau's mortgage brokerage company. Milless was charged on October 30, 2009, and pleaded guilty to the charges on November 10, 2009.

In her plea agreement, Milless admitted conspiring with her then-husband, Beliveau, to impede the IRS from collecting \$901,985.94 in income taxes, Federal Insurance Contributions Act taxes, and Medicare taxes collected from employees of American Alliance Mortgage Group between October 1, 2002, and September 30, 2005. Instead, Milless used those funds for her personal benefit.

To prevent the IRS from collecting the taxes, Milless incorporated a shell company, American Alliance Mortgage Realty & Title, to which the assets of Alliance Mortgage Group were transferred. Milless knew the transfer had no business purpose other than to deplete American Alliance Mortgage Group of its assets, thereby impairing the ability of the IRS to collect the taxes owed.

Following today's sentencing, Julio La Rosa, Special Agent in Charge of the IRS-Criminal Investigation Division's St. Paul Field Office, said, "As mortgage fraud schemes continue to surface, our financial investigators realize the dishonest buck may not stop there. As part of this case, a shell company was set up in order to evade paying over withheld employment taxes from mortgage company employees. IRS-Criminal Investigation looks very seriously at mortgage-related schemes that not only prey on homeowners and real estate investors, but create potential hardships for industry employees through employment tax fraud schemes."

This case was the result of an investigation by the U.S. Postal Inspection Service and the IRS-Criminal Investigation Division. It was prosecuted by Assistant U.S. Attorney David J. MacLaughlin.

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Per U.S. Department of Justice policy, the U.S. Attorney's Office is not allowed to provide the age and city of residence for defendants charged in criminal tax cases.